

**MARKET TRENDS | I-680 CORRIDOR / TRI-VALLEY**

OFFICE

**4TH QUARTER
2020****▲ VACANCY | ▼ RENTAL RATES | ▼ NET ABSORPTION | ◀▶ NEW CONSTRUCTION**

Year-over-year change

With the elections now behind us, COVID-19 vaccines being distributed, and additional federal stimulus dollars approved and soon to be dispensed (with likely more to follow) there is optimism for an improved overall economy and revitalization of the Tri-Valley commercial real estate market as we begin 2021. That said, Alameda and Contra Costa County lockdown orders remain in-place and current movement/touring activity of office tenants in the market remains anemic.

The fourth quarter of 2020 continued a trend of mounting direct vacancies and saw more sublease space come online as reflected in the statistics. Weighted average asking rents slightly eroded, not reflecting landlords' motivations and true deal economics. The wisdom there being, "Why lower asking rents in a market void of tenants?" We expect further discounts on asking rents when this market truly opens back up. The bright spot for the quarter was the headquarters expansion of 10X Genomics at 6210 Stoneridge Mall Rd. They took an additional 145,155 square feet in a deal structured to phase them into this expansion space that nearly doubled their office presence at Pleasanton Corporate Commons. Additionally, some corporate "Hub & Spoke" demand surfaced with inquiries for Tri-Valley satellite offices. These tours remain pending, together with predicted rightsizing and relocation requirements waiting to tour until shelter-in-place orders are lifted.

Office and office/flex buyer demand remains active with low interest rates and a slight increase in supply. Investor demand through the entirety of the East Bay was limited, however, the sale of 5601 Arnold Rd (\$289 PSF) pointed to investor interest in high tenant credit, stabilized assets.

In San Ramon, the rumored pending sale of Bishop Ranch 6 (more than a half million square feet, multi-tenant office building) to the residential home developer, Summerhill Homes, has generated some leasing activity with tenants evaluating their relocation options from this residential redevelopment. Most of these office tenants appear to be staying within the confines of Bishop Ranch's eight million square feet of alternative office offerings as Sunset Development is providing aggressive relocation terms.

Looking ahead to the anticipated lifting of lockdown orders as a result of increased immunizations, we predict a highly active

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Notable Sale Transactions

TODA AMERICA, INC. purchased 5601 Arnold Rd, Dublin from HHH Investment Company
120,199 s.f. | \$34.7M or \$288.69

DBA STONE VALLEY INVESTMENTS purchased 12907 Alcosta Blvd, San Ramon from Alcosta Investments LLC
15,120 s.f. | \$3.6M or \$238.10/s.f.

CYBERNOOR HOLDINGS purchased 5502 Sunol Blvd, Pleasanton from Peter Spitters
6,602 s.f. | \$2.75M or \$416.55/s.f.

Notable Lease Transactions

10X GENOMICS 6210 Stoneridge Mall Rd, Pleasanton
145,155 SF

DIAGNOSTIC BIOSYSTEMS, INC. 6612-6616 Owens Dr, Pleasanton
12,386 SF (Renewal)

SERENO GROUP 4733 Chabot Dr, Pleasanton
4,334 SF

late second quarter and third quarter burst of activity as users look to relocate, right-size and address real estate goals sidelined for the last ten months. Homeworking will be a continued talking point as tenants weigh what portion of their work force will work from home versus in the office or hybrids of this concept. Tenants likely will be seeking immediate occupancy solutions ("spec" ready space) on a "turn-key" basis, on-site project amenities, along with the flexibility of shorter lease terms. Tenants will perceive and realize a soft market with ample occupancy solutions. Broadcasted incentives for tenants and reduced asking rents may be the drivers in pairing down long lists of potential suites to tour.

The reflected office statistics are exclusive to competitive, multi-tenant Class A and B office projects as well as multi-tenant office-flex properties and is exclusive of single tenant or owner user buildings:

OVERALL TRI-VALLEY OFFICE MARKET

	Class A	Class B	Total	Flex
Market Inventory SF	10,073,542	5,360,334	15,433,876	4,475,855
Weighted Average Asking Rent	\$3.21	\$2.59	\$3.00	\$2.24
Vacancy	17.74%	21.05%	18.89%	9.12%
Marketed Sub-Lease Space	1,234,359	203,019	1,437,378	88,419

PLEASANTON

	Class A	Class B	Flex
Market Inventory SF	3,380,954	1,553,862	1,336,623
Weighted Average Asking Rent	\$3.13	\$2.62	\$2.88
Vacancy	26.39%	26.34%	17.93%
Marketed Sub-Lease Space	435,957	108,619	25,269

DUBLIN

	Class A	Class B	Flex
Market Inventory SF	1,072,209	533,196	964,614
Weighted Average Asking Rent	\$3.26	\$2.22	\$2.40
Vacancy	11.94%	5.07%	5.05%
Marketed Sub-Lease Space	184,637	803	14,219

SAN RAMON

	Class A	Class B	Flex
Market Inventory SF	5,620,379	1,145,052	193,510
Weighted Average Asking Rent	\$3.25	\$2.51	\$2.35
Vacancy	13.64%	26.76%	0%
Marketed Sub-Lease Space	613,170	10,437	48,931

LIVERMORE

	Class A	Class B	Flex
Market Inventory SF	0	926,059	1,981,108
Weighted Average Asking Rent	N/A	\$2.09	\$1.71
Vacancy	N/A	24.79%	6.05%
Marketed Sub-Lease Space	0	75,535	0

DANVILLE/ALAMO

	Total
Market Inventory SF	1,202,165
Weighted Average Asking Rent	\$3.19
Vacancy	5.26%
Marketed Sub-Lease Space	7,625

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COMMERCIAL BROKERAGE

27M
ANNUAL
SALES SF

42M
ANNUAL
LEASING SF

450+
NO. OF
BROKERS

\$9.6B
ANNUAL TRANSACTION
VOLUME

VALUATION ADVISORY

1,680+
APPRAISALS
ANNUALLY

37/23
TOTAL NO.
APPRAISERS/MAI'S

PROPERTY MANAGEMENT

70M+
MANAGEMENT
PORTFOLIO SF

\$12B+
IN ASSETS UNDER
MANAGEMENT

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